# MELVILLE SHOE CORPORATION 1966 ANNUAL REPORT

BUSINESS INF. BUR.
CORPORATION FILE

*Melville Shoe Corporation and its subsidiaries owned by 21,000 shareholders is the largest integrated retail-manufacturing shoe company in America. Their 8,900 employees in four autonomous divisions and chains sell over 40 million pairs of footwear for men, women and children annually in over 1,300 stores and departments and manufacture 45,000 pairs of shoes a day.*

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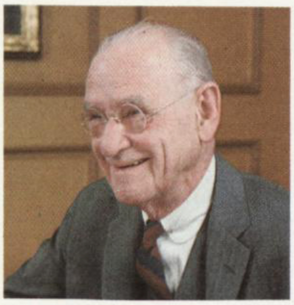

WARD MELVILLE
Chairman of the Board

MURRAY M. ROSENBERG
Chairman of the Executive Committee

FRANCIS C. ROONEY, JR.
President and Chief Executive Officer

## HIGHLIGHTS

| | **1966** | **1965** | *Percent Change* |
|---|---|---|---|
| Net Sales | $234,313,064 | $203,545,124 | +15.1 |
| Net Earnings | 11,191,530 | 8,418,237 | +32.9 |
| Dividends on Common Stock | 3,462,498 | 2,790,456 | +24.1 |
| Net Earnings Per Share of Common Stock | 3.88 | 2.84 | +36.6 |
| Dividends Per Share of Common Stock | 1.25 | 1.00 | +25.0 |
| Net Earnings as a Percent of Net Sales | 4.78% | 4.14% | |
| Cash | 21,085,450 | 18,629,970 | +13.2 |
| Inventories | 41,156,921 | 39,094,013 | + 5.3 |
| Net Working Capital | 46,995,595 | 42,850,972 | + 9.7 |
| Shareholders' Equity | 51,039,305 | 45,850,731 | +11.3 |
| Number of Common Shares Outstanding* | 2,765,114 | 2,790,458 | − 0.9 |
| Number of Stores | 1,314 | 1,275 | + 3.1 |
| Number of Employees | 8,900 | 8,400 | |
| Number of Shareholders: approximately 21,000 | | | |

**Based on average number of shares outstanding.*

# TO OUR SHAREHOLDERS

Francis C. Rooney, Jr., President, meets with the Operating Committee of Melville Shoe Corporation. *Seated, left to right:* Francis H. Gleason, Vice President, Mr. Rooney, and Spencer D. Oettinger, Executive Vice President. *Standing, left to right:* Arthur B. Gold, General Manager of the Miles Shoes division, Richard E. West, General Manager of the J. F. McElwain Company division, Lawrence E. McGourty, General Manager of the Thom McAn Shoe Company division, Robert C. Kuhn, General Manager of the Meldisco division, and Kenneth K. Berland, Vice President and Treasurer of the Corporation.

Net earnings for the year ending December 31, 1966 reached an all-time high of $11,191,530 as compared with $8,418,237 in 1965, an increase of 32.9%.

Per-share earnings for the average number of shares outstanding were $3.88 in 1966 as compared with $2.84 in 1965. All divisions and chains of the company showed a substantial increase in both sales and earnings.

Our record 1966 earnings were based on total net sales of $234,313,064, an increase of 15.1% over 1965 sales of $203,545,124.

Continuing our retail expansion and the relocation of our stores in areas of greatest population growth, 80 stores and departments were opened and 41 closed in 1966. As of December 31, 1966 we had a total of 1,314 units versus 1,275 at the end of 1965. Approximately 120 new stores are planned in 1967 and about 20 will close.

The Board of Directors at the January 5, 1967 meeting voted to increase the dividend on common stock from 31¼ cents per quarter to 40 cents per quarter. (This is an annual rate of $1.60 as compared with the former figure of $1.25)

A new plant in Mountain City, Tennessee, completed in 1966, is the fourth new plant built by Melville in the past five years. These four new plants have increased the production capacity of Melville by 50 percent. An additional factory in Nashua, New Hampshire is scheduled to be opened in 1967. Negotiations are under way for a new plant in Puerto Rico and we have signed a letter of intent for the purchase of an 80 percent interest in a shoe manufacturing concern located in Spain. These moves are part of our long-range program to modernize and expand our entire manufacturing operation.

In September 1966 we completed the consolidation of the Thom McAn division in a new office building and warehouse facility at Worcester, Massachusetts. The move should result in substantial gains in efficiency and cost savings.

Of the $234,313,064 in sales volume attained in 1966, $221,275,717 resulted from retail sales in 1,314 stores. The remaining $13,037,347 came from sales of Thom McAn men's shoes to independent dealers, safety shoes (steel toe) sold to industrial plants and military shoes sold to the Armed Forces. During 1966 we made 698,000 pairs of shoes for the Armed Forces.

In 1967 we look forward to continued increases in both sales and earnings and a continuation of the rate of growth that has put the Company substantially ahead of its Five-Year Growth Plan instituted in 1964.

Ward Melville

CHAIRMAN OF THE BOARD

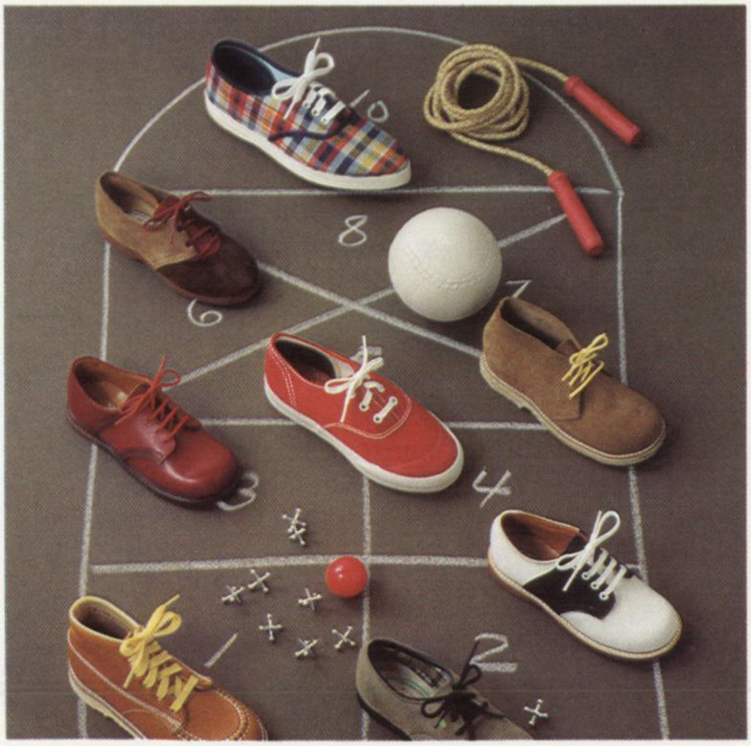
Francis C. Rooney, Jr.

PRESIDENT

FEBRUARY 24, 1967

# MELVILLE THOM McAN AND THE NEW FAMILY

COLGEMS
COLGEMS
COLGEMS



GIRLS
Thom McAn

*In 1966 Thom McAn continued to be the best selling shoe in all America.*

*42 Thom McAn stores were opened in 1966, bringing the total to 848 including 352 men's and boys' and 496 family stores. In 1967, Thom McAn store openings will average more than one new store a week in areas of greatest population increase.*

*In the past 10 years, nearly 400 Thom McAn stores were closed, and 840 new ones were opened, 700 of which are in the suburbs—center of the booming young family footwear market.*

*Thom McAn advertising and promotion campaigns aimed at teenagers and young families, continued to set industry standards for creativity and impact. The tie-in with the new singing and television hit group "The Monkees" is highly successful.*

*In 1966 Thom McAn continued to upgrade its merchandise, already known for its quality, reasonable pricing and profusion of styles. The Bootmaster line, selling for prices up to $18 a pair, accounted for a large percentage of 1966 sales. The move into higher-priced merchandise will be further extended in 1967.*

# MELVILLE MILES SHOES SET A PACE IN FASHION

*Concentrated in the high-fashion women's footwear field, Miles Shoes, with 288 stores, celebrated its 50th anniversary January 13, 1967.*

*During 1966 the division increased its emphasis on high-fashion footwear for teen-age girls and younger women, the group that buys two or three times as many shoes as older age groups.*

*Miles, long a leader in eastern metropolitan areas, will further its expansion as a national chain with store openings planned for 1967 in the middle west and other areas of the country.*

*A totally new store design, keyed more directly to high-fashion styling and younger consumers was introduced in 1966.*

*Widening its new emphasis on high-fashion glamour and sophistication, Miles is stressing advanced styling and the interpretation of European shoe trends in relation to the U.S. market.*

MILES MILES
wer
OUSE

# MELVILLE MELDISCO SELF-SERVICE SHOE BAZAAR

*In six years, the Meldisco chain has become the second largest discount footwear operation in the United States. In 1966 the average sales per department were among the highest in the shoe industry.*

*Meldisco and its subsidiaries sells through 178 leased family shoe departments in discount stores in 137 cities in 32 states and Puerto Rico.*

*Meldisco has a strong appeal to the thrift-minded young family in both convenience and economy.*

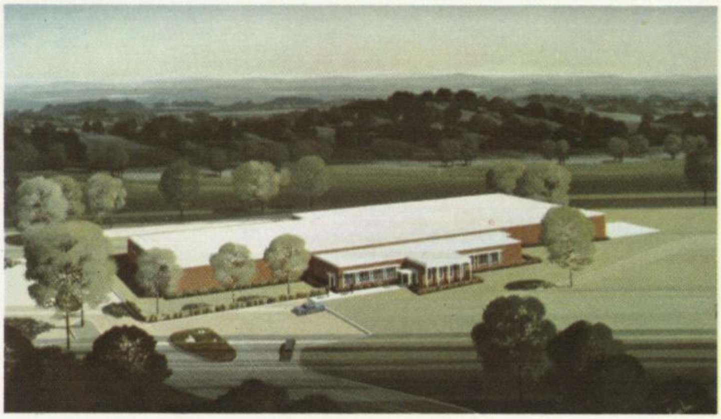
*Promotion and advertising, already aggressive, will be pushed to greater levels in 1967, as will the quality and styling of the merchandise.*

*Meldisco is a leader in merchandising control techniques through the use of its IBM 360 computer.*

*To meet the demands of the expanding Meldisco operation, programs are well under way for the training of additional supervisory personnel, expanded warehousing and enlarged staff organization.*

# MELVILLE MANUFACTURING STYLING CRAFTMANSHIP AND LOGISTICS

REGISTER DATA
ADDRESS
START
STOP
STOP



*The Manufacturing Division (the J. F. McElwain and Blue Ridge Shoe Companies) is the seventh largest of more than 800 U. S. shoe manufacturers.*

*The four new plants opened in the past five years, have increased productive capacity by 50%.*

*Combining modern manufacturing methods and styling with meticulous craftsmanship, the Manufacturing Division continued its record of innovation and improvements in 1966. Wide application of prefabricated sole and heel units and further adaptation of machinery to simulate popular hand-sewn effect in moccasins, resulted in increased productivity and lower costs. The nylon-foam lining material initiated by Thom McAn in 1963 and called the "Upholstered Shoe" continued to be an outstanding style success in new designs.*

*In 1966, Melville installed two IBM 360 computers and the first of its kind—an IBM 1287 optical reader. These tools will enable Melville to take giant steps toward increased efficiency and productivity.*

# MELVILLE GOES WHERE THE PEOPLE ARE

Stores of Melville Shoe Corporation and subsidiary companies as of December 31, 1966

**THOM McAN**—848 stores in 502 Cities in 42 States, District of Columbia and Commonwealth of Puerto Rico and Canada (Leased Department*, Agency**)
**MILES SHOES**—288 stores in 168 Cities in 14 States and the District of Columbia
**MELDISCO**—178 departments in 137 Cities in 32 States and Puerto Rico

**Alabama (9)**
Birmingham (2)
Florence
Huntsville
Mobile (2)
Montgomery (2)
Prichard

**Arizona (8)**
Mesa
Phoenix (5)
Tucson (2)

**California (64)**
Alameda
Alhambra
Buena Park
Burbank
Canoga Park
Compton
Corte Madera
Costa Mesa
Daly City
East Los Angeles
El Cajon
Fontana
Fullerton
Gardena
Garden Grove
Glendale
Hawthorne
Hayward
Hollywood
Huntington Beach
Huntington Park
Lakewood
Long Beach (2)
Los Angeles (4)
Modesto
Mountain View
Napa
National City
North Hollywood
Norwalk
Oakland
Pasadena
Pomona
Redwood City
Reseda
Richmond
Riverside
Sacramento (3)
San Bernardino (2)
San Diego (3)
San Francisco (2)
San Jose (2)
San Leandro
San Mateo
Santa Ana
Santa Barbara
Santa Monica
Torrance
Van Nuys (2)
Ventura
West Covina
Whittier

**Colorado (6)**
Colorado Springs
Denver (4)
Westminster

**Connecticut (28)**
Bridgeport (2)
Derby
East Hartford
Hamden (2)
Hartford
Manchester
Meriden (2)
Middletown
Milford (2)
New Britain
New Haven
New London
Orange
South Manchester
South Norwalk (2)
Stamford (2)
Trumbull (2)
Waterbury (3)
West Hartford

**Commonwealth of Puerto Rico (13)**
Arecibo
Bayamon
Caguas
Carolina
Ponce (3)
Rio Piedras (3)
San Juan
Santurce (2)

**Delaware (4)**
Newark
Wilmington (3)

**District of Columbia (6)**
Washington (6)

**Florida (51)**
Bradenton
Coral Gables (2)
Daytona Beach
Fort Lauderdale (3)
Fort Myers
Fort Pierce
Gainesville
Hialeah
Hollywood
Homestead
Lauderhill
Jacksonville (6)
Key West
Lakeland (2)
Largo
Melbourne
Miami (8)
Miami Beach
Orlando (3)
Panama City (2)
Pensacola (2)
Sarasota
St. Petersburg (2)
Tallahassee (2)
Tampa (3)
West Palm Beach
Winter Haven

**Georgia (15)**
Albany
Atlanta (3)
Augusta (2)
Columbus (2)
East Point
Forest Park
Macon
Marietta (2)
Rome
Savannah

**Hawaii (2)**
Honolulu (2)

**Illinois (44)**
Berwyn
Bloomington
Chicago (22)
Chicago Heights
Decatur
Elmhurst
Glen Ellyn
Harvey
Hillside
Joliet
Kankakee
Matteson
Moline
Morton Grove
Mt. Prospect
Norridge
Peoria
Quincy
Rockford
Rock Island
Springfield (2)
Villa Park

**Indiana (19)**
Elkhart
Evansville
Fort Wayne (2)
Gary (2)
Hammond (2)
Indianapolis (6)
Logansport
Mishawaka
Muncie
Richmond
South Bend

**Iowa (1)**
Davenport

**Kentucky (6)**
Bowling Green
Covington
Lexington
Louisville
Owensboro
Paducah

**Louisiana (12)**
Baton Rouge (3)
Gretna
Lake Charles (2)
Metairie (2)
New Orleans (3)
Shreveport

**Maine (3)**
Lewiston
Portland (2)

**Maryland (37)**
Baltimore (16)
Carney
Cumberland
Forestville
Frederick
Glen Burnie (3)
Hagerstown (2)
Hyattsville (3)
Laurel (2)
Pikesville
Rockville (2)
District Heights
Dundalk
Essex
Wheaton

**Massachusetts (55)**
Boston (12)
  Allston
  Boston (2)
  Dorchester (2)
  East Boston
  Hyde Park
  Roslindale (2)
  Roxbury (2)
  South Boston
Brockton (2)
Cambridge (2)
Chelsea
Everett
Fall River (2)
Fitchburg
Framingham
Haverhill
Hingham
Holyoke
Lawrence
Lowell
Lynn
Malden
Medford (2)
Natick (2)
New Bedford
Norwood**
Peabody
Pittsfield (2)
Quincy (2)
Revere
Rockland
Salem
Saugus
Shrewsbury
Somerville
Springfield (3)
Stoneham
Waltham
Woburn
Worcester (3)

**Michigan (24)**
Dearborn
Detroit (5)
East Detroit
Ferndale
Flint
Inkster
Jackson
Kalamazoo
Lansing
Livonia (2)
Monroe
Muskegon
Pontiac
Port Huron
Roseville
Saginaw
Warren
Wayne
Wyandotte

**Minnesota (6)**
Crystal
Minneapolis (2)
St. Paul (3)

**Mississippi (7)**
Biloxi*
Hattiesburg
Jackson
Meridian
Natchez
Vicksburg (2)

**Missouri (16)**
Florissant
Grandview
Jennings
Kansas City (2)
Maplewood
Mehlville
St. Ann
St. Joseph
St. Louis (7)

**Montana (1)**
Great Falls

**Nebraska (1)**
Omaha

**New Hampshire (2)**
Manchester
Portsmouth

**New Jersey (120)**
Asbury Park (2)
Atlantic City
Audubon
Bayonne (2)
Belleville
Bergenfield (2)
Bloomfield (2)
Camden (2)
Clifton (3)
Dover
East Brunswick
East Paterson
Eatontown
Edison Township
Elizabeth (2)
Englewood
Fairlawn
Fords
Freehold
Hackensack (3)
Hamilton Township
Harrison
Hazlet
Hoboken (2)
Irvington (2)
Jersey City (10)
Levittown
Linden (2)
Long Branch
Maple Shade
Metuchen
Middletown
Moorestown (2)
Morristown (2)
Mt. Ephraim
Neptune
Newark (9)
New Brunswick (2)
North Brunswick
North Arlington
North Bergen
Orange (2)
Paramus (5)
Passaic (2)
Paterson (2)
Perth Amboy (2)
Phillipsburg
Plainfield (2)
Pompton Lakes
Rahway
Ramsey (2)
Raritan Township
Red Bank (2)
Somerville (2)
South River
Toms River
Trenton (3)
Union (3)
Union City (2)
Verona
Vineland
Watchung (2)
Wayne
West New York (2)
West Orange ((2)
Westwood
Willingboro

**New Mexico (2)**
Albuquerque (2)

**New York (291)**
Albany (4)
Amherst (2)
Amsterdam
Babylon (2)
Bay Shore (2)
Bethpage
Binghamton
Buffalo (3)
Centereach
Cheektowaga
Clarence
Colonie (2)
Commack (2)
Delmar
Dewitt
East Huntington
East Syracuse
Eggertsville
Elmira
Franklin Square
Freeport (2)
Glen Cove
Glens Falls
Gloversville
Greenburgh
Great Neck
Hempstead (2)
Hicksville (3)
Huntington (3)
Ithaca
Jamestown
Kingston (2)
Lake Success (2)
Latham
Levittown (3)
Lynbrook
Manhasset
Massapequa
Massapequa Park
Massena
Middletown
Mount Vernon (2)
Nanuet
Newburgh (3)
New Cassel
New Hartford
New Hyde Park
New Rochelle (2)
New York (171)
  Manhattan (39)
  Bronx (32)
  Brooklyn (54)
  Queens (41)
  Richmond (5)
Niagara Falls (3)
Patchogue (3)
Peekskill (3)
Plainview
Port Chester (4)
Poughkeepsie (4)
Riverhead
Rochester (5)
Rockville Centre
Roosevelt Field (2)
Schenectady (2)
Smithtown
Syracuse
Tonawanda
Troy
Utica (2)
Valley Stream (2)
Wantagh
West Islip
West Seneca
White Plains (2)
Wappinger Falls
Yonkers (5)

**North Carolina (21)**
Asheville (2)
Charlotte (5)
Concord
Durham (2)
Greensboro (2)
Hickory
High Point
Jacksonville
Raleigh
Wilmington
Wilson
Winston Salem (3)

**Ohio (60)**
Akron (2)
Alliance
Barberton
Canton (2)
Cincinnati (2)
Cleveland (12)
Cleveland Heights
Columbus (6)
Cuyahoga Falls
Euclid (2)
Fairborn
Hamilton (2)
Lorain (2)
Lyndhurst
Mansfield (2)
Maple Heights (2)
Medina
North College Hill
North Olmsted
Norwood
Parma
Parma Heights
Portsmouth
Richmond Heights
Sandusky
Springfield
Tallmadge
Toledo (3)
Warren (2)
Willowick
Youngstown (2)
Steubenville

**Oklahoma (3)**
Midwest City
Oklahoma City
Tulsa

**Oregon (2)**
Portland (2)

**Pennsylvania (72)**
Allentown
Altoona
Baden
Beaver Falls
Bethlehem
Braddock
Bridgeville
Broomal
Cheltenham
Chester
Easton
Erie (3)
Greensburg (2)
Harrisburg
Havertown
Hazelton
Homestead
Johnstown
King of Prussia
Langhorne
Levittown
Meadville
McKeesport (2)
Monroeville
Natrona Heights
New Castle
New Kensington
Norristown
Philadelphia (15)
Pittsburgh (7)
Pottsville (2)
Plymouth Meeting
Reading
Scranton (3)
Sharon
Springfield
Uniontown
Upper Darby
Wilkes Barre (2)
Williamsport
Woodlyn
York (3)

**Rhode Island (8)**
Newport
Pawtucket (2)
Providence (2)
Westerly
West Warwick
Woonsocket

**South Carolina (9)**
Charleston
Charleston Heights
Columbia (2)
Greenville (2)
Spartanburg (2)
Florence

**Tennessee (13)**
Chattanooga (4)
Johnson City
Knoxville
Madison
Memphis (5)
Nashville

**Texas (42)**
Abilene
Austin (2)
Beaumont
Brownsville
Corpus Christi (3)
Dallas (5)
El Paso (3)
Fort Worth (2)
Galveston
Houston (10)
Irving
Laredo
McAllen
Pasadena
Port Arthur
San Antonio (6)
Victoria
Waco

**Utah (4)**
Ogden
Provo
Salt Lake City (2)

**Vermont (1)**
Burlington

**Virginia (27)**
Alexandria (3)
Annandale
Charlottesville
Clarendon
Falls Church (2)
Harrisonburg
Lynchburg (2)
Newport News
Norfolk (4)
Petersburg
Portsmouth
Richmond (4)
Roanoke (2)
Springfield
Virginia Beach
Warwick

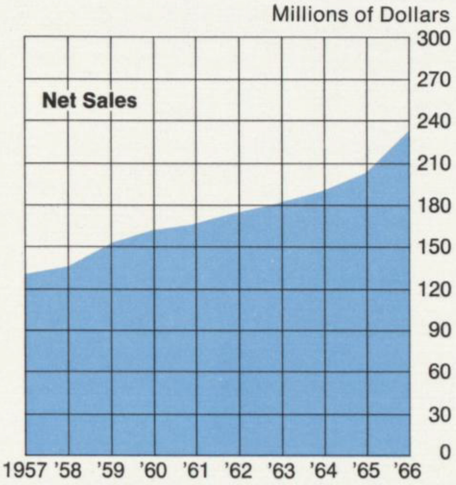
**Washington (8)**
Everett
Seattle (3)
Spokane (3)
Tacoma

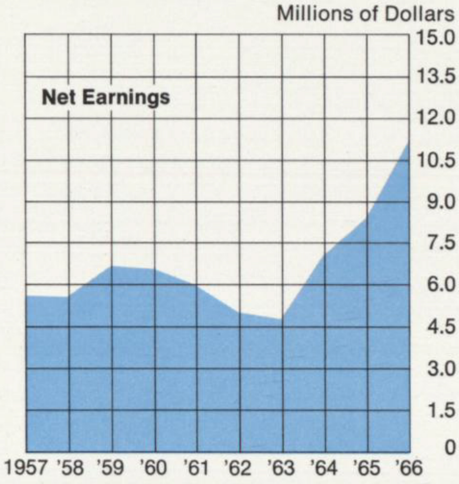
**West Virginia (4)**
Charleston
Huntington
Parkersburg
Wheeling

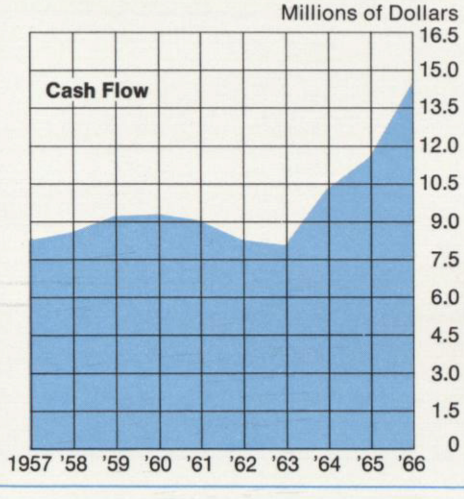
**Wisconsin (8)**
Appleton
Madison
Milwaukee (4)
Oshkosh
West Allis

**Canada (1)**
Toronto

# FINANCIAL REVIEW







## EARNINGS

Consolidated net earnings of $11,191,530 for the year 1966 exceeded 1965's record of $8,418,237 by 32.9%. On a per share basis, net earnings were $3.88 for 1966 compared with $2.84 for 1965, an increase of 36.6% based upon average number of shares outstanding at the end of each year.

## SALES

Consolidated net sales for the year 1966 increased 15.1%, totalling $234,313,064, establishing a new high over the record sales of $203,545,124 for 1965.

## DIVIDENDS

In January 1967, the quarterly dividend on common stock was increased to $.40 per share, or an annual rate of $1.60 per share. During the year 1966, the Company paid a dividend of $1.25 per share on common stock, or $.31¼ per quarter.

## PROPERTY, PLANT AND EQUIPMENT

The Company and its subsidiaries continued its expansion program during 1966, spending $4,945,267 in the year 1966, which was $25,250 less than the $4,970,517 expended in 1965. Depreciation charged for the year 1966 was $3,292,439 as compared to $3,147,900 for the previous year.

## CASH FLOW

Consolidated earnings on a cash flow basis, net earnings plus depreciation, increased by $2,917,832 for the current year 1966 over the year 1965; on a per share basis this amounted to $5.07 per share for 1966, a 27.7% increase over the $3.97 per share for 1965.

## DISTRIBUTION OF SALES REVENUE

| | 1966 | 1965 |
|---|---|---|
| Received from the sale of products | $234,313,064 | $203,545,124 |
| Paid for materials, merchandise and all expenses, exclusive of taxes and other amounts paid to or for the benefit of employees | 159,496,897 | 139,138,497 |
| Remainder | 74,816,167 | 64,406,627 |
| This was divided as follows: | | |
| Wages and compensation | 51,827,387 | 46,122,111 |
| Taxes | 11,797,250 | 9,866,279 |
| Paid to shareholders or retained in the business | 11,191,530 | 8,418,237 |

In 1966, after payment for materials, merchandise, taxes and other necessary expenses, 82% of the balance went to 8,900 employees and 18% was paid to shareholders or retained in the business.

# STATEMENT OF CONSOLIDATED FINANCIAL CONDITION

*as of December 31, 1966 with comparative figures for 1965*

## ASSETS

| | 1966 | 1965 |
|---|---:|---:|
| Current assets: | | |
| Cash | $21,085,450 | $18,629,970 |
| Accounts receivable, less provision for possible losses | 3,674,205 | 2,345,677 |
| Inventories—at lower of cost (13% valued at lifo) or market, principally by the retail method | 41,156,921 | 39,094,013 |
| Prepaid expenses | 1,358,186 | 1,526,065 |
| Total current assets | 67,274,762 | 61,595,725 |
| Property, plant, equipment and leasehold improvements, at cost: | | |
| Land | 1,298,198 | 1,323,398 |
| Buildings | 5,999,797 | 5,340,876 |
| Machinery and equipment | 5,383,655 | 4,341,916 |
| Store and office fixtures, improvements to leased properties and miscellaneous equipment | 40,634,518 | 39,354,486 |
| | 53,316,168 | 50,360,676 |
| Less: | | |
| Accumulated depreciation and amortization | 34,939,350 | 33,011,087 |
| Net property, plant, equipment and leasehold improvements | 18,376,818 | 17,349,589 |
| Unamortized debt discount and expense | 198,156 | 212,832 |
| | $85,849,736 | $79,158,146 |

*See accompanying notes to financial statements.*

**MELVILLE SHOE CORPORATION**
and subsidiary companies

## LIABILITIES

| | 1966 | 1965 |
|---|---|---|
| Current liabilities: | | |
| Accounts payable and accrued expenses | $13,245,713 | $12,624,803 |
| Federal income taxes | 6,342,454 | 5,431,950 |
| Current installments on long-term debt | 691,000 | 688,000 |
| Total current liabilities | 20,279,167 | 18,744,753 |
| Long-term debt: | | |
| 4⅞% Debentures, due 1980 (annual sinking fund requirement $600,000) | 9,000,000 | 9,600,000 |
| 3½% Promissory Note, due 1984, payable in quarterly installments | 2,065,000 | 2,156,000 |
| | 11,065,000 | 11,756,000 |
| Provision for retirement payments, less related Federal income taxes (note 1) | 1,337,164 | 1,436,174 |
| Deferred Federal income taxes, applicable to accelerated depreciation deducted for tax purposes | 1,369,855 | 1,370,488 |
| Lease obligations for closed stores, less related Federal income taxes (note 4) | 759,245 | — |
| **SHAREHOLDERS' EQUITY** | | |
| Capital Stock (notes 2 and 3): | | |
| Preferred stock, Series B, $4.00 dividend | 11,841,900 | 11,841,900 |
| Common stock | 12,284,194 | 12,284,194 |
| | 24,126,094 | 24,126,094 |
| Retained earnings | 28,981,895 | 21,866,262 |
| | 53,107,989 | 45,992,356 |
| Less cost of common and preferred shares held in treasury | 2,068,684 | 141,625 |
| | 51,039,305 | 45,850,731 |
| | $85,849,736 | $79,158,146 |

*Commitments (note 4)*

# STATEMENT OF CONSOLIDATED EARNINGS AND RETAINED EARNINGS

*Year ended December 31, 1966 with comparative figures for 1965*

| | 1966 | 1965 |
|---|---|---|
| Net sales | $234,313,064 | $203,545,124 |
| Cost of goods sold, buying and warehousing costs | 138,092,532 | 118,975,373 |
| | 96,220,532 | 84,569,751 |
| Store operating, selling, general and administrative expenses | 74,754,115 | 67,232,720 |
| Depreciation and amortization | 3,292,439 | 3,147,900 |
| Interest charges | 661,833 | 647,231 |
| | 78,708,387 | 71,027,851 |
| | 17,512,145 | 13,541,900 |
| Other income—net | 120,385 | 126,337 |
| Earnings before Federal income taxes | 17,632,530 | 13,668,237 |
| Provision for Federal income taxes, less deferred taxes of $778,000 at December 31, 1966 (note 4) | 6,441,000 | 5,250,000 |
| Net earnings | 11,191,530 | 8,418,237 |
| Retained earnings at beginning of year | 21,866,262 | 16,728,865 |
| | 33,057,792 | 25,147,102 |
| Deduct: | | |
| Cash dividends paid: | | |
| Preferred stock, Series A, $4.75 a share (redeemed on March 1, 1965) | — | 17,068 |
| Preferred stock, Series B, $4.00 a share | 459,706 | 473,316 |
| Common stock, $1.25 a share; 1965 $1.00 a share | 3,462,498 | 2,790,456 |
| Excess of cost over proceeds from sales of treasury stock under qualified stock option plan | 153,693 | — |
| | 4,075,897 | 3,280,840 |
| Retained earnings at end of year | $ 28,981,895 | $ 21,866,262 |

*See accompanying notes to financial statements.*

# NOTES TO FINANCIAL STATEMENTS

## 1. RETIREMENT PLANS

During the year, the company contributed $594,638 under various pension plans; past service costs under company administered plans aggregate approximately $7,200,000. The amount provided ($1,570,000, net of taxes) for the factory plan prior to adoption of funding in 1965 is being applied at the rate of $130,000 per annum in reduction of past service costs.

## 2. CAPITAL STOCK

Authorized preferred stock consists of 221,769 shares of cumulative preferred stock of $100 par value (issuable in series), of which 118,419 shares were issued as Series B $4.00 cumulative preferred stock. Such shares are redeemable at the option of the company at par value. During the year, 4,760 shares of Series B were purchased for $374,743 for sinking fund purposes increasing treasury shares to 6,340 at a cost of $516,368.

Authorized common stock consists of 3,500,000 shares of $1 par value, of which 2,790,458 shares have been issued. During the year 57,500 shares were acquired for $1,930,817, of which 11,311 were delivered under the stock option plan leaving 46,189 shares in treasury at a cost of $1,552,316.

## 3. STOCK OPTIONS

Options for purchase of shares of common stock have been granted to key managerial employees at fair market value on date of grant; transactions during the year are as follows:

| | *Number of Shares* | *Price Range Per Share* |
|---|---|---|
| Options granted but not exercised at January 1, 1966 | 48,500 | $19.875-$23.25 |
| Add: Options granted | 21,000 | $30.50 -$34.50 |
| | 69,500 | |
| Deduct: Options exercised | (11,311) | $19.875 |
| Options cancelled | ( 1,667) | |
| Unexercised options at December 31, 1966 | 56,522 | $19.875-$34.50 |

The right to exercise options commences two years from the date of grant and expires five years after such date; at December 31, 1966, options for 2,012 shares were exercisable. Of the original 100,000 shares approved for issuance under the plan, options for 32,167 are available for grant to February 24, 1974. An option granted prior to the foregoing plan for the purchase of 10,000 shares at $31.375 expired on March 31, 1966.

## 4. COMMITMENTS

Total minimum annual rentals (exclusive of amounts based on sales) payable under leases amount to approximately $12,700,000 at December 31, 1966. Such leases will expire on various dates to 1988; however, it is anticipated that as leases expire they will be renewed or new leases will be executed. Total rent expense for the year which amounted to approximately $17,800,000, includes provision for rentals due on closed stores to expiration of leases, less subtenant income; the effect of providing for such obligations was to decrease net earnings (after Federal income taxes—deferred) by $843,000.

## ACCOUNTANTS' REPORT

To the Board of Directors and Shareholders
MELVILLE SHOE CORPORATION:

We have examined the statement of consolidated financial condition of Melville Shoe Corporation and subsidiary companies as of December 31, 1966 and the related statement of consolidated earnings and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statement of consolidated financial condition and statement of consolidated earnings and retained earnings present fairly the financial position of Melville Shoe Corporation and subsidiary companies at December 31, 1966 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, New York
February 23, 1967

PEAT, MARWICK, MITCHELL & CO.
*Certified Public Accountants*

# TEN YEAR FINANCIAL REVIEW

| | 1966 | 1965 | 1964 | 1963 |
|---|---|---|---|---|
| **RESULTS FOR THE YEAR** | | | | |
| Net Sales | $234,313,064 | $203,545,124 | $195,170,712 | $182,403,253 |
| Wages and Compensation | 51,827,387 | 46,122,111 | 44,305,240 | 41,767,766 |
| Taxes—All | 11,797,250 | 9,866,279 | 10,061,968 | 8,191,817 |
| Earnings Before Federal Income Taxes | 17,632,530 | 13,668,237 | 12,336,962 | 8,462,257 |
| Net Earnings | 11,191,530 | 8,418,237 | 7,110,962 | 4,814,257 |
| Dividends Paid | 3,922,204 | 3,280,840 | 2,779,151 | 4,196,129 |
| **PER SHARE RESULTS OF COMMON STOCK** | | | | |
| Net Earnings | $ 3.88 | $ 2.84 | $ 2.35 | $ 1.52 |
| Dividends | 1.25 | 1.00 | .80 | 1.30 |
| Taxes—All | 4.27 | 3.54 | 3.61 | 2.94 |
| Book Value | 14.47 | 12.24 | 10.33 | 8.78 |
| **END OF YEAR POSITION** | | | | |
| Current Assets | $ 67,274,762 | $ 61,595,725 | $ 58,701,677 | $ 49,782,484 |
| Current Liabilities | 20,279,167 | 18,744,753 | 17,273,171 | 13,694,338 |
| Current Ratio | 3.32 | 3.30 | 3.40 | 3.64 |
| **PROPERTY, PLANT AND EQUIPMENT** | | | | |
| At Cost | $ 53,316,168 | $ 50,360,676 | $ 47,166,934 | $ 47,316,850 |
| Net After Accumulated Depreciation | 18,376,818 | 17,349,589 | 16,030,347 | 17,927,181 |
| Capital Additions | 4,945,267 | 4,970,517 | 2,046,351 | 2,356,124 |
| Depreciation | 3,292,439 | 3,147,900 | 3,272,223 | 3,308,102 |
| **PERCENT TO NET SALES** | | | | |
| Earnings Before Federal Income Taxes | 7.53% | 6.72% | 6.32% | 4.64% |
| Net Earnings | 4.78% | 4.14% | 3.64% | 2.64% |
| **PERCENT NET EARNINGS TO SHAREHOLDERS' EQUITY** | 24.41% | 19.87% | 18.52% | 12.64% |
| **NUMBER OF STORES** | 1,314 | 1,275 | 1,250 | 1,244 |

| 1962 | 1961 | 1960 | 1959 | 1958 | 1957 |
|---|---|---|---|---|---|
| $176,447,649 | $165,867,317 | $161,594,237 | $151,709,758 | $136,436,124 | $130,355,538 |
| 41,648,202 | 39,618,572 | 40,028,701 | 36,457,979 | 35,014,142 | 34,327,002 |
| 8,616,967 | 8,839,063 | 8,808,017 | 8,564,057 | 7,453,337 | 7,319,322 |
| 9,150,371 | 11,090,640 | 11,916,845 | 12,246,434 | 10,424,782 | 10,489,518 |
| 4,987,371 | 5,987,740 | 6,608,408 | 6,743,280 | 5,565,782 | 5,638,618 |
| 5,049,604 | 5,064,813 | 4,870,003 | 4,416,326 | 4,980,417 | 5,681,063 |
| | | | | | |
| $ 1.58 | $ 1.93 | $ 2.15 | $ 2.18 | $ 1.76 | $ 1.78 |
| 1.60 | 1.60 | 1.52½ | 1.35 | 1.55 | 1.80 |
| 3.09 | 3.17 | 3.16 | 3.07 | 2.67 | 2.62 |
| 8.56 | 8.17 | 7.77 | 7.37 | 6.72 | 6.73 |
| | | | | | |
| $ 50,246,808 | $ 50,431,773 | $ 50,114,106 | $ 38,286,610 | $ 35,252,259 | $ 33,383,910 |
| 15,528,678 | 14,494,932 | 13,496,197 | 13,484,043 | 12,260,359 | 10,858,952 |
| 3.24 | 3.48 | 3.71 | 2.84 | 2.88 | 3.07 |
| | | | | | |
| $ 47,100,464 | $ 44,694,908 | $ 41,599,614 | $ 38,441,558 | $ 32,210,276 | $ 29,609,488 |
| 19,441,368 | 19,637,472 | 18,229,601 | 16,538,527 | 12,256,146 | 11,735,800 |
| 3,328,135 | 4,610,098 | 4,409,129 | 3,688,271 | 3,548,572 | 4,715,408 |
| 3,346,346 | 3,073,135 | 2,713,596 | 2,527,654 | 3,082,265 | 2,677,614 |
| | | | | | |
| 5.19% | 6.69% | 7.37% | 8.07% | 7.64% | 8.05% |
| 2.83% | 3.61% | 4.09% | 4.44% | 4.08% | 4.33% |
| | | | | | |
| 13.37% | 16.01% | 18.07% | 19.02% | 15.99% | 16.26% |
| | | | | | |
| 1,249 | 1,212 | 1,156 | 1,110 | 1,053 | 1,018 |

# OFFICERS AND DIRECTORS

## MELVILLE SHOE CORPORATION

25 West 43rd Street, New York, N.Y. 10036

### DIRECTORS

WARD MELVILLE, *Chairman*
CHESTER BAYLIS, JR.
LEIGHTON H. COLEMAN
ROBERT C. ERB
FRANCIS H. GLEASON
ROBERT McDONALD
FRANK MELVILLE
SPENCER D. OETTINGER
FRANCIS C. ROONEY, JR.
MICHAEL M. ROSENBERG
MURRAY M. ROSENBERG

SEWARD M. PATERSON,
*Director Emeritus*

### EXECUTIVE COMMITTEE

MURRAY M. ROSENBERG, *Chairman*
LEIGHTON H. COLEMAN
FRANCIS H. GLEASON
WARD MELVILLE
SPENCER D. OETTINGER
FRANCIS C. ROONEY, JR.

### FINANCE COMMITTEE

ROBERT C. ERB, *Chairman*
CHESTER BAYLIS, JR.
SPENCER D. OETTINGER
FRANCIS C. ROONEY, JR.
MURRAY M. ROSENBERG

### OFFICERS

WARD MELVILLE, *Chairman of the Board*
FRANCIS C. ROONEY, JR., *President*
SPENCER D. OETTINGER, *Executive Vice President*

**Vice Presidents**

KENNETH K. BERLAND, *Treasurer & Controller*
FRANCIS H. GLEASON
ARTHUR B. GOLD
ROBERT C. KUHN
LAWRENCE E. McGOURTY
RICHARD E. WEST

THOMAS S. ROTHWELL, *Secretary*
HAROLD CHRISTIANSON, *Assistant Secretary*
BERTHA K. SMITH, *Assistant Secretary*
HAROLD R. WICKHAM, *Assistant Secretary*

## THE DIVISIONS

### THOM McAN SHOE COMPANY

67 Millbrook Street
Worcester, Massachusetts 01606

Francis C. Rooney, Jr., *President*
Lawrence E. McGourty, *Vice President and General Manager*

**Vice Presidents**

Roy S. Fogas, *Sales Manager*
James F. Barry
Jack Chilson
Richard S. Magee
Victor P. Mangini
Richard H. McCarthey
William H. Muckley
J. Richard Nedder
John F. Riefler, Jr.
J. Frederick Rossell
John J. Shore
William J. Smith

Kenneth K. Berland, *Treasurer*
Harold Christianson, *Controller*
Harold R. Wickham, *Secretary*

### MILES SHOES

459 West 59th Street
New York, N.Y. 10019

Spencer D. Oettinger, *President*
Samuel H. Rosenberg, *First Vice President*
Arthur B. Gold, *Vice President and General Manager, Miles*
Robert C. Kuhn, *Vice President and General Manager, Meldisco*

**Vice Presidents**

Kenneth K. Berland, *Treasurer*
Nat Antler
Meyer Bogorff
Jack Entel
Elliot Lubin
Frank Silva

Steven Becker, *Controller*
Miles Rosenberg, *Secretary*

### J. F. McELWAIN COMPANY

103 Temple Street
Nashua, New Hampshire 03060

Francis H. Gleason, *President and Treasurer*
Richard E. West, *Executive Vice President and General Manager*

**Vice Presidents**

A. Byron Mansfield, *Controller & Secretary*
Donald W. Erion
James C. Mackay
Seward M. Paterson
Frederic E. Shaw
Richard O. Wasson, *Assistant Controller*

### BLUE RIDGE SHOE COMPANY

Spring Street and River Road
Wilkesboro, North Carolina 28697

Francis H. Gleason, *President*
Richard E. West, *Executive Vice President*
John R. DeWitt, *Vice President and General Manager*
A. Byron Mansfield, *Vice-President, Secretary and Treasurer*

### MELVILLE REALTY COMPANY, INC.

25 West 43rd Street
New York, N. Y. 10036

A. C. Blunt, 3rd, *President*

**Vice Presidents**

Thomas S. Rothwell, *Secretary*
Francis H. Gleason
Richard S. Magee
Spencer D. Oettinger

Harold Christianson, *Treasurer and Assistant Secretary*
John J. Rademaker, *Assistant Treasurer*

*Assistant Secretaries*

Nat Antler
John J. Rademaker
Bertha K. Smith
Harold R. Wickham

**COUNSEL:** Davis Polk Wardwell Sunderland & Kiendl

**AUDITORS:** Peat, Marwick, Mitchell & Co.

**TRANSFER AGENT:** Irving Trust Company, 1 Wall Street, New York, N.Y. 10015

**REGISTRAR:** First National City Bank, 55 Wall Street, New York, N.Y. 10015

**Annual meeting** of stockholders will be held at the Executive Offices in New York City on April 11, 1967

# MELVILLE SHOE CORPORATION 1966 ANNUAL REPORT

MELVILLE SHOE CORPORATION and Subsidiary Companies-25 W. 43rd Street, New York, N.Y. 10036